



AGGREGATE FORECASTS

Q2 2019 Update



HIGHLIGHTS

The following provides updated forecasts for housing starts, residential unit sales, residential unit price, real gross domestic product and employment growth, for Alberta. Forecasting figures and information were gathered from Canada's big five banks, BuildForce, Bank of Canada, Canadian Real Estate Association (CREA), and the Canadian Mortgage and Housing Corporation (CMHC).

Many forecasters predict housing starts at or above 2018 levels. Based on year-to-date housing starts data, large amounts of unabsorbed inventory, and stagnant housing prices, these forecasts could be overly optimistic. Key factors affecting starts, sales, and housing prices will be mortgage rules, the economy's overall health, consumer confidence, and investment in the oil and gas sector.

Growth in gross domestic product and employment are also forecasted to decline in 2019, though all institutions predict a rebound in 2020 with some predicting Alberta to lead the country in GDP growth.

Forecasters are predicting minimal growth in residential unit prices over the next two years, with prices forecasted to be only slightly above 2018 numbers. Forecasters also believe that residential unit sales should be on par this year with last year, before rising slightly in 2020. Despite lackluster economic statistics, many forecasters believe housing starts will be higher in 2019 than 2018. Based on year-to-date figures, this does not appear likely.

It is important to note the information presented here are forecasts based on information available to-date. The majority of institutions update their forecasts quarterly which BILD Alberta will monitor along with real-time statistics relative to the economy and residential construction industry.

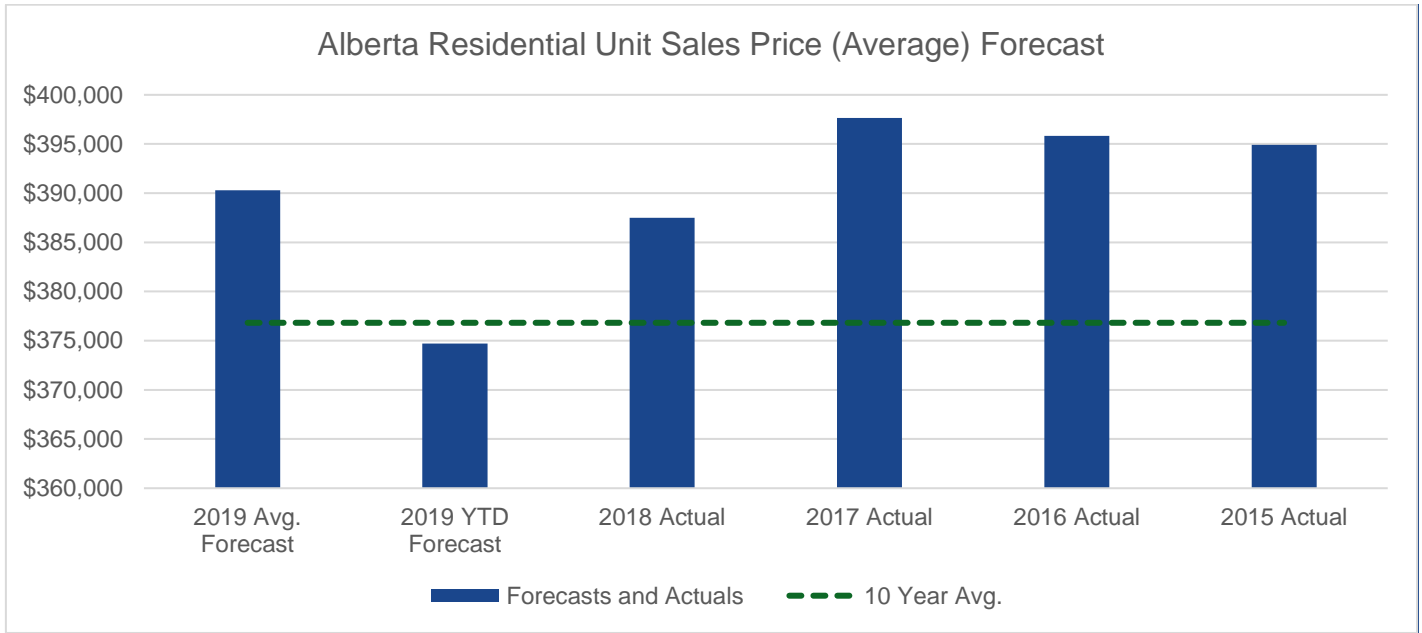
Forecast Overview					
Period	Residential Unit Price (\$)	Residential Unit Sales	Housing Starts	Real GDP Growth (%)	Employment Growth (%)
2019 Avg. Forecast	\$390,291	53,657	26,013	1.1	1.01
2020 Avg. Forecast	\$391,828	56,820	27,875	2.2	0.9
2018 Actual	\$387,500	53,300	24,800	2.3	1.9

HOUSING FORECASTS

Residential Unit Sale Price

The residential unit sales price averaged \$387,500 in 2018. This is a 2.7% decline from 2017, which averaged \$397,854. CREA, and TD believe residential unit prices will be lower in 2019, whereas the CMHC and RBC believe it will be higher. The consensus forecast for 2019 is \$390,291. This would be 0.7% higher than 2018.

The year-to-date average sale price is \$377,236 for 2019, which is 3.3% lower than 2018. Using this 3.3% decline to forecast housing prices for the remainder of 2019 gives us a projection of \$374,713 for 2019.



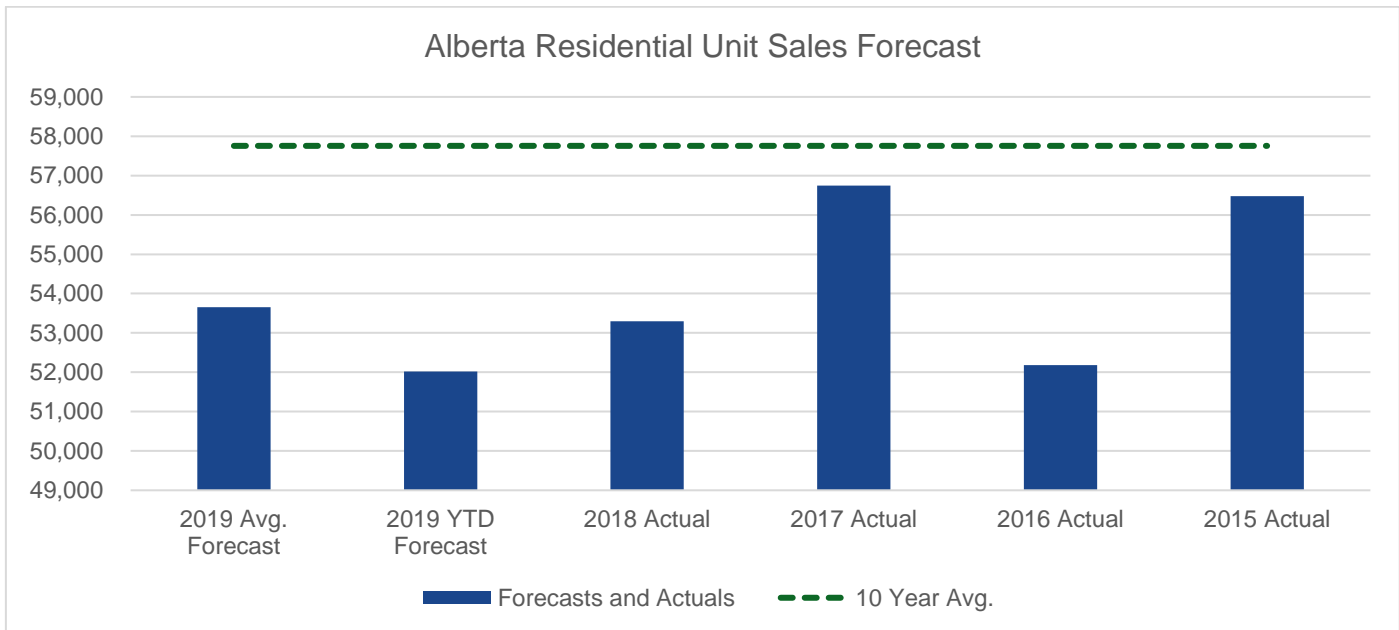
Average Residential Unit Sale Price					
Source	2008-2018 Avg.	2018	2019 (Initial Forecast)	2019 (Updated Forecast)	2020 Forecast
CREA	\$376,823	\$387,500	\$377,700	\$376,800	\$372,300
CMHC			\$391,850	\$391,850	\$396,300
TD			\$378,920	\$374,712	\$374,712
RBC			\$443,200	\$417,800	\$424,000
Average Forecast			\$397,918	\$390,291	\$391,828
YTD Projection			\$370,063	\$374,713	N/A

Unit Sales

Residential unit sales in 2018 totalled 53,300 units for Alberta. This is a 7.6% decline from 2017, which totalled 57,325 units. CMHC and TD predict a higher volume of sales in 2019, whereas the CREA believes sales will be lower.

In the March 2019 aggregate forecast document, the forecasted average for unit sales was 53,039 units. Since then, they have revised their estimates upwards, to an average sales prediction of 53,657 units, or 0.7% above 2018's numbers. 2020's consensus forecast is even higher, sitting at 56,820. Forecasters believe 2020 will bring a modest economic rebound to the province, and sales will subsequently rise as well.

Both the 2019 and 2020 forecasts sit below the long run average. Year-to-date unit sales are 2.4% lower than 2018. Applying this 2.4% decline to the 2018 numbers provides a projection of 52,021 sales for 2019.



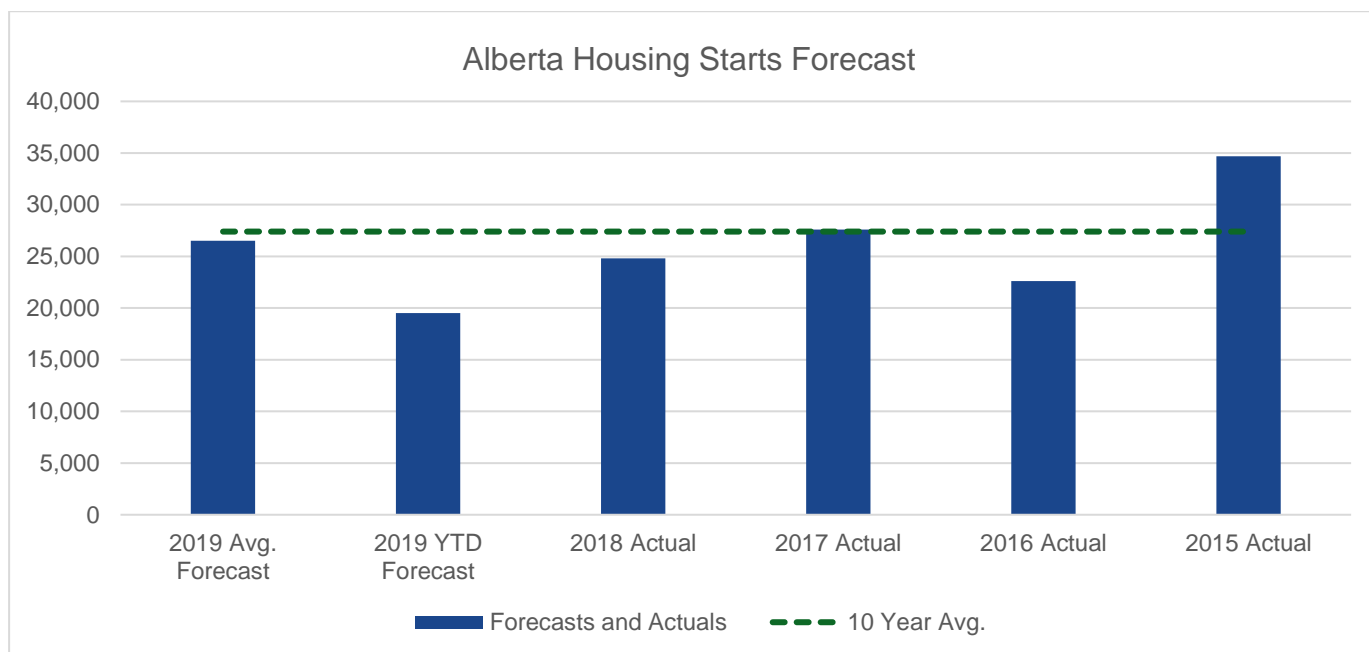
Residential Units Sales					
Source	2008-2018 Avg.	2018	2019 (Initial Forecast)	2019 (Updated Forecast)	2020 Forecast
CREA	57,755	53,300	50,200	52,800	55,300
CMHC			55,000	55,000	56,000
TD			50,854	54,526	59,978
RBC			56,100	52,300	56,000
Average Forecast			53,039	53,657	56,820
YTD Projection			48,535	52,021	N/A

Housing Starts

Housing starts for Alberta totalled 24,755 units in 2018. RBC, TD bank and Buildforce are predicting housing starts to be lower this year, while the other institutions are predicting starts to be at or above 2018 levels. The average of the forecasts suggests 26,013 housing starts in 2019, a roughly 5.1% increase from 2018. Given current inventory levels and current housing start data the majority of projections seem overly optimistic.

Most organizations believe 2020's housing starts will be slightly higher than 2019's housing starts, driven by a rising provincial economy. Both the 2019 and 2020 housing start forecasts sit below long run trends.

Year-to-date housing starts in 2019 are currently 21.4% lower than 2018. Applying this 21.4% decline to the 2018 numbers provides a projection of 19,457 sales for 2019.

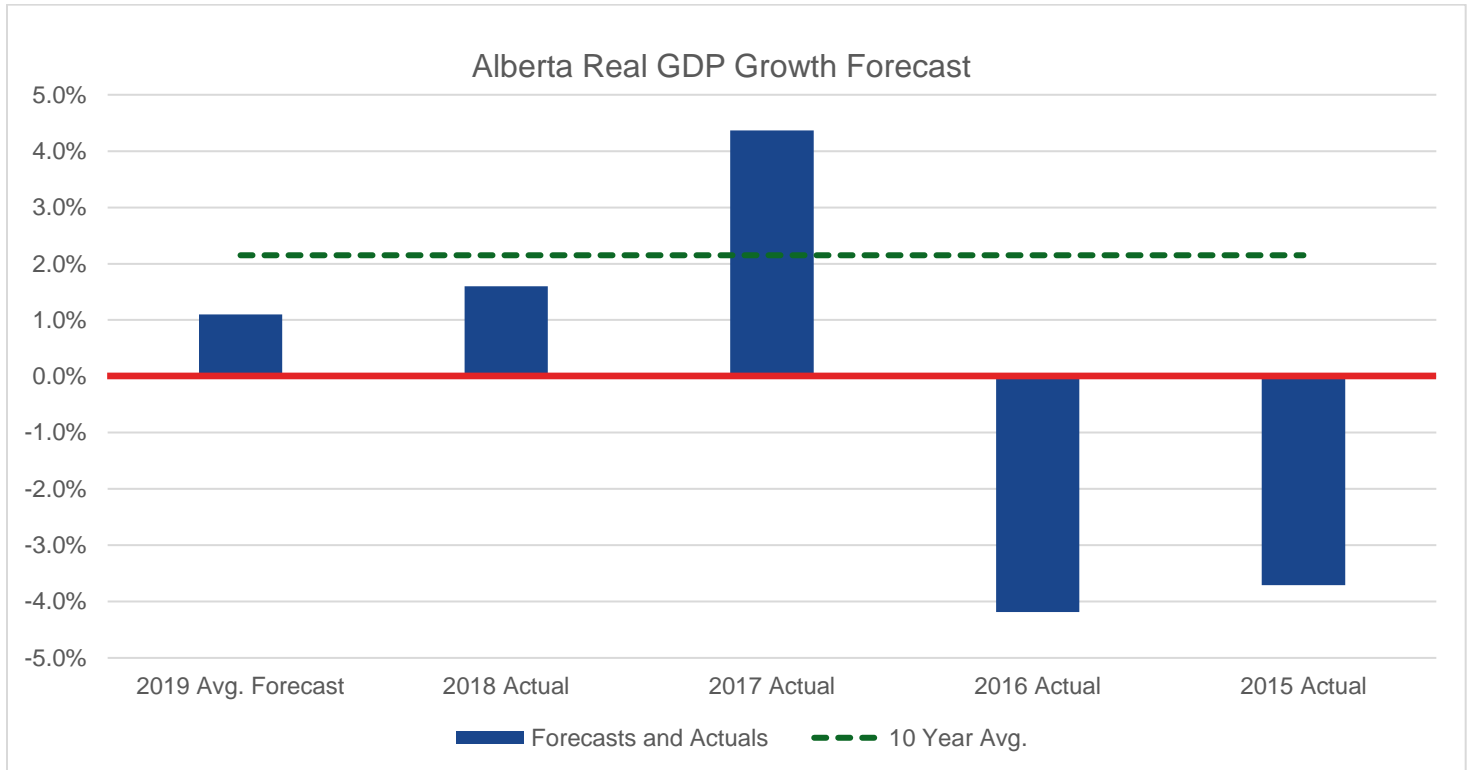


Housing Starts					
Source	2008-2018 Avg.	2018	2019 (Initial Forecast)	2019 (Updated Forecast)	2020 Forecast
CMHC	27,400	24,755	28,000	28,000	28,800
BMO			25,500	25,200	30,000
RBC			29,000	24,400	26,500
TD			22,900	23,400	25,700
CIBC			31,000	31,000	30,000
Scotiabank			30,000	26,000	30,000
Bank of Can.			26,000	25,500	25,000
BuildForce			28,500	24,600	27,000
Average Forecast			27,613	26,013	27,875
YTD Projection			20,455	19,457	N/A

ECONOMIC FORECASTS

Gross Domestic Product

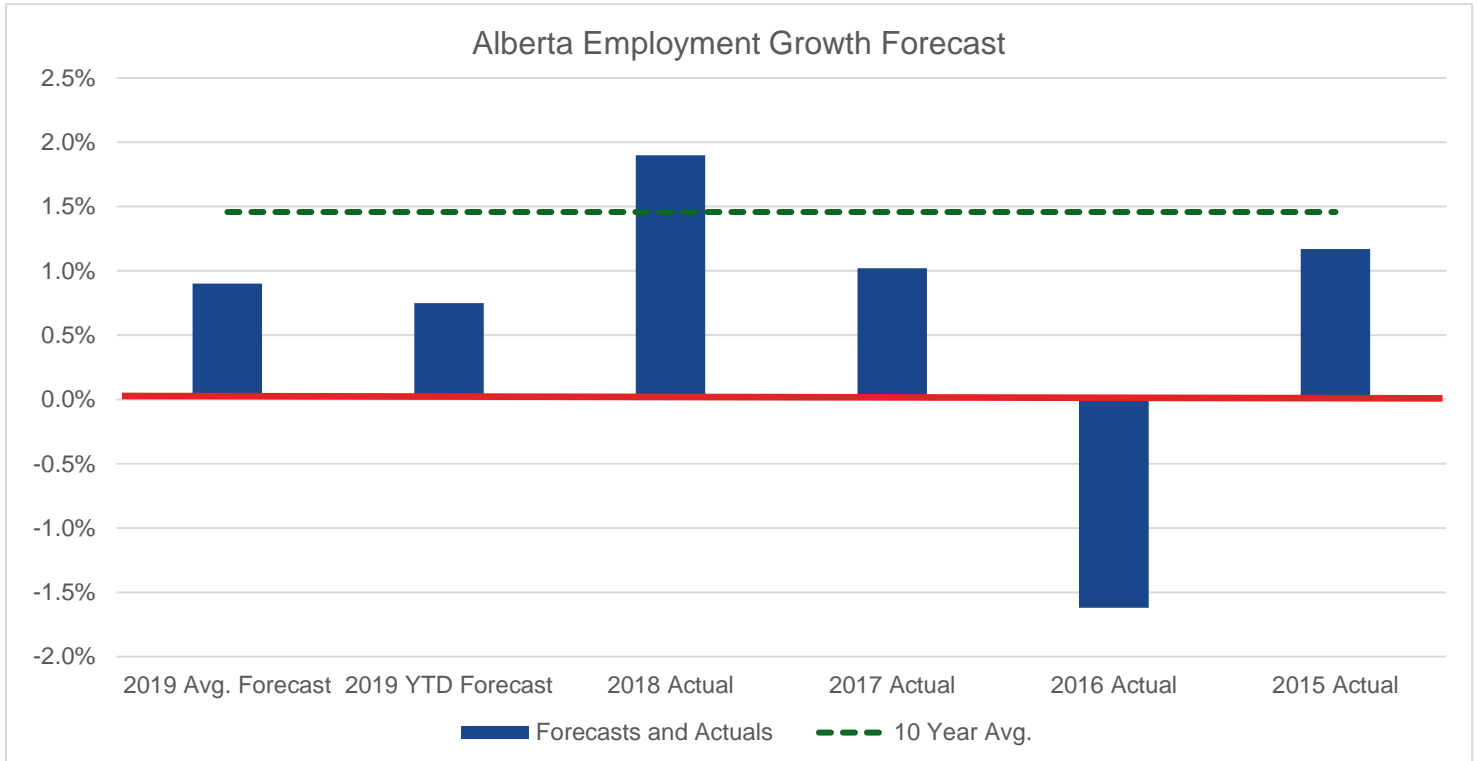
GDP is forecasted to grow in 2019 by 1.13%, however Alberta is expected to be behind most other provinces in this respect. The 2019 forecast represents a decrease of 1.2% in comparison to 2018, as oil prices and trouble getting Alberta oil to market weighs on the economy. GDP growth is forecasted to rebound in 2020, with some institutions predicting Alberta will once again lead Canada.



Real GDP Growth (y/y %)					
Source	2008-2018 Avg.	2018	2019 (Initial Forecast)	2019 (Updated Forecast)	2020 Forecast
BMO	2.2	2.3	0.5	1.3	1.9
RBC			1.5	0.6	2.4
TD			0.5	0.5	2.1
CIBC			1.1	0.9	1.9
Scotiabank			1.5	0.7	2.4
Bank of Canada			1.8	1.2	2.5
Alberta Gov.			1.6	1.6	N/A
Buildforce			2.2	2.2	2.3
Average Forecast					1.3

Employment

Forecasts for unemployment are relatively unchanged from our March 2019 Aggregate Forecast document. Aggregate forecasts suggest employment growth in 2019 will increase a total of 0.9%. This projection represents a substantial 1.0% decline in comparison to 2018. Most forecasters believe 2020 will continue to present challenges in this area with an average forecasted growth of 1.01%. Year-to-date employment has grown by 0.75% so far this year.



Employment Growth (y/y %)					
Source	2008-2018 Avg.	2018	2019 (Initial Forecast)	2019 (Updated Forecast)	2020
BMO	1.5	1.9	1.0	0.4	0.9
RBC			0.9	0.9	1.1
TD			0.1	0.6	1.2
CIBC			0.5	0.5	0.7
Scotiabank			1.0	1.1	1.0
Bank of Canada			1.5	1.1	0.8
Alberta Gov.			1.3	1.3	N/A
Buildforce			1.3	1.3	1.4
Average Forecast			0.95	0.90	1.01
YTD Projection			N/A	0.75	N/A

Notes & Sources

Notes

Charts are available in Excel formats upon request. Please contact [Benjamin Sturge](#) at BILD Alberta for more information.

Data on housing starts was taken from the CMHC's online housing portal. Data on residential unit sales and price was taken from the CREA. Data on employment and real GDP growth was taken from Statistics Canada (Tables 36-10-0402-01, 4-10-0023-01, 14-10-0287-03).

Sources

CREA	Quarterly Forecasts
CMHC	Annual Forecasts
BMO	Monthly Forecasts
RBC	Quarterly Forecasts
TD	Quarterly Forecasts
CIBC	Quarterly Forecasts
Scotiabank	Quarterly Forecasts
Bank of Canada	Monthly Forecasts
BuildForce	Forecasts
Government of Alberta	Forecasts